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ARIZONA CORPORATION COMMISSION

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October 3, 2003

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Chairman Marc Spitzer
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ARIZONA CORPORATION COMMISSION
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RE: Environmental Portfolio Standard; Docket No. RE-00000C-00-0377

Dear Colleagues:

The Cost Evaluation Working Group Report on the Environmental Portfolio Standard's first two years of results was docketed on June 30, 2003.

On Monday, October 6, 2003, the Commission will hold a Special Open Meeting/Workshop concerning the Cost Evaluation Working Group Report.

The wording regarding the portfolio percentage increase in the Environmental Portfolio Standard rules (A.A.C. R14-2-1618 B.2.) states that "The Commission would continue the annual increase in the portfolio percentage after December 31, 2004, only if the cost of environmental portfolio electricity has declined to a Commission-approved cost/benefit point."

The Cost Evaluation Working Group Report offers the Commission two different recommendations:

- Option 1: Take no action at this time and leave the annual renewable energy target at 0.8 percent of retail energy sales for all LSEs until a future review determines that either EPS funding is sufficient, or solar generation costs have declined to the point for EPS program success for all LSEs at the 0.8 percent level, then increase the program percentage to 1.1 percent.
- Option 2: Continue the renewable energy requirement increase to 1.1 percent by 2007.

It appears to me that, at a minimum, the Commission needs to decide whether it wishes to continue the scheduled annual Environmental Portfolio Standard percentage increases up to 1.1% as spelled out in the rules or allow the percentage to level off at 0.8% in 2004 and after. I would also like to ensure we discuss whether we should be looking at higher percentages or other means for ensuring that we are making the best level of progress in moving Arizona toward the use of viable and appropriate renewable sources of energy.

I would like to suggest that all Commissioners prepare to discuss how they feel about the issue. Accordingly, I am requesting that we schedule this matter for discussion at an upcoming staff meeting to be followed by an Open Meeting for the Commission's ultimate determination.

Sincerely,

William A. Mundell

William A. Mundell, Commissioner
Arizona Corporation Commission

Arizona Corporation Commission

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